

1. Belgium reiterates its full support to the Industrial policy flagship initiative “ An integrated Industrial Policy for the Globalisation Era”, which is of **key importance in the implementation of the Europe 2020 Strategy**. This communication initiated a fresh approach to industrial policy, based on a transversal vision of industrial competitiveness in the context of new and future challenges linked to transition towards a low carbon and resource-efficient industry, in a globalised world.

The Update of the industrial flagship initiative in the context of the crisis is welcomed. Belgium believes that it must, together with the Flagship, constitute a **central piece of the EU recovery strategy**, which should build on an ambitious vision for industry in Europe (‘A Third Industrial Revolution’). New impetus must be given to industrial investment, and a long-term perspective on new market creation is necessary to accelerate recovery. In this respect, Belgium supports the 4 pillars and 6 priority action lines for investment in RDI. But this should not undermine the integrated approach impulsed in 2010 allowing a **holistic view of industrial competitiveness and transition paths**.

2. For Belgium, the update presents some shortcomings as it doesn’t build enough on the **ideas of industrial transition, value chains, synergies between policies and multi-level governance**, and the **demand-side approaches** seem under-developed. Much more is needed to integrate the new industrial policy approach in a ‘challenge driven’ growth strategy and mobilize the leverage of the Internal Market and Cohesion policy to seize opportunities arising from global and new market demands.
3. Innovation and industrial dynamics have a strong **regional dimension**, and the crisis has asymmetric effects on regions and sectors. That is the reason why Belgium asks for a **deeper involvement of the Regions in the implementation of the EU industrial policy and governance mechanisms**, and for further reflections on the way to better take into account the regional dimension in the policy tools and to better articulate industrial and cohesion policies.
4. Traditional industrial segmentations are now largely obsolete. By drawing a distinction between “traditional” industry sectors and others sectors, or between restructuring and support to new segments, we could miss key challenges as regards **transition towards a sustainable growth. Those can only be met with action both on rejuvenating actual industrial structures and making new niches emerge**. New growth opportunities require cross-sector and cross-disciplinary approaches. The policy response to the crisis and to new competitiveness challenges must build on innovative industrial value chains, which are cross-sector and are already largely embedded in European industrial structures. **The policy response must therefore be transversal and better take into account inter-sector linkages, notably industry/services linkages, and the necessity to bridge the ‘valley of death’ to manufacturing and markets**.
5. In that perspective, Belgium is also deeply convinced that **clusters** have a key and pivotal role to play in industrial and innovation policies. They are key drivers in the regional ecosystems for boosting innovation, technology diffusion and knowledge spill-overs, notably by involving SMEs in innovation dynamics. By transcending sector, technological and geographical boundaries, they allow trans-sector, trans-disciplinary and collaborative approaches (notably multi-KET approaches) as well as a closer link to the markets and the users. They can also foster new innovative industrial symbiosis allowing efficient use of resources. **The absence of cluster policy as a change agent is therefore an important missing link in the Update**.

The involvement of clusters in KET-related activities, in public-private partnerships (e.g. Horizon 2020, EIP), as their role in regional smart specialization strategies should retain more attention with a view to developing appropriate policy responses :

- Support to **world-class clusters** development and to **inter-clustering** activities, as the presence of strong world class clusters and of an eco-system of networked cluster nodes is a key attractiveness factor for international investment.
- **European leverage of new financial instruments** that mobilize finance for innovation and transformation projects of clusters.

6. In Belgium's view, **Smart Specialization** is not specific for cohesion policy only and must be a **bottom-up process** linking place-based innovation in regions to the overall objectives of European innovation and industrial policies for structural change. Differentiation strategies allow a role for all regions, capitalizing on their comparative advantages. Implementation of these policies must build on a smart combination of top-down and bottom-up approaches. The capacity to couple regional smart specialization strategies with the **European road maps** is a decisive factor.
7. Therefore, the governance for **coordinating the efforts and involvement of all stakeholders and policy levels** is of crucial importance for delivering the policy agenda, notably through efficient public-private partnerships. The stakeholder consultations via different types of 'task-forces' to derive European strategies and design road maps towards specific objectives therefore have to feed in the discovery processes for smart specialization at the regional level and vice versa. A **more transparent information flow** has to be organized to stimulate such coordination.

There is also a need for a much **deeper system analysis of the industrial transition and globalized value chains** to better understand the bottlenecks and barriers, risks and opportunities, anticipate future evolutions and identify the accelerators and levers for structural change.

8. **The undersupply of proof-of-concept, demonstrations and industrial pilots** is clearly identified in the priority actions as a go-to-market bottleneck. But the innovation model behind the new industrial policy approach is still too much technology-driven, and should better integrate **non-technological innovation and user- and demand-driven approaches as well as financing of the go-to-the market phase**. A coverage of the full trajectory of innovation investment should not leave out the development of adequate business model required to incorporate the new (open) innovation dynamics in the development of new value chains. **Interlinkages between industry and service and creative sectors** should be further explored as engines of industrial renewal and of the entrepreneurial discovery process within smart specialisation strategies. The proposed strategy for cultural and creative sectors should, in that perspective, be more clearly embedded in the industrial policy.
9. If synergies with some other policy fields are well developed in the Communication, some key points are missing as to allow industrial policy to achieve its full potential. In particular, Belgium believes that **stronger links and articulation with other policies** should be further developed :
 - The modernized **Competition policy** should fully integrate industrial competitiveness challenges, as to allow Member States to deploy efficient policy tools, in line with EU orientations, to support an innovative, sustainable and competitive industry and to ensure the attractiveness of Europe at the global level. The regional aid, RDI aid, risk-capital and environment and energy aid guidelines are of particular interest for industrial competitiveness in a period of transition, especially for emerging industries. The **external dimension** of competitiveness must be duly taken into account in the reflections, with a view to ensuring a level playing field.

- The **Cohesion policy** can play a strong role in implementing the industrial policy on a multi-level basis, but it must be ensured that it properly integrates industrial competitiveness challenges within its thematic priorities and in its architecture. It allows furthermore to combine competitiveness and cohesion objectives. Belgium repeats its full support to the creation of the new category of Transition Regions, allowing a clear focus on regions hurt by industrial transition. Though, the regional dimension of industrial policies can't be confined in the Cohesion policy, and other policy fields must integrate this dimension, notably through regional clusters.
 - **Energy policy** is at the heart of the “Third industrial revolution” and is a key element of future industrial competitiveness and sustainability (safety of supply, internal market). The Smart grid therefore is a core infrastructure, but the update seems quite vague on energy provisioning for industry. The specific situation of energy-intensive industries should be taken into consideration for managing transition.
 - **Environment and climate policies** can provide the predictable framework needed to foster investments in emerging technologies enabling the transition towards a low carbon and resource-efficient industry while providing a first-mover advantage.
 - Other policy fields should also be further taken into account in a global approach, such as **tax and social policies**.
10. Finally, Belgium strongly supports the Commission's efforts to further embed industrial policy within the **European Semester process**. At the same time, a stronger and clearer role should be given to the **Competitiveness Council**, which should develop a more transversal approach of industrial competitiveness through its three components. Furthermore, the industrial policy flagship initiative and industrial competitiveness and transition challenges should be fully integrated within the **Multiannual Financial Framework 2014-2020** and the different programs linked to it (COSME, Horizon 2020, Cohesion Policy,...).

To sum-up and conclude, Belgium welcomes the Industrial Policy Communication Update which must give new impulses to the European industrial competitiveness and transition towards a low carbon and resource-efficient economy in a globalised world. Belgium calls for fully embedding this updated industrial policy in the EU recovery strategy, and as a consequence in the EU semester process and in the Multiannual Financial Framework. But, for Belgium, the Update is incomplete. Therefore, Belgium asks the Commission to build further on the ideas of industrial transition, value chains, synergies between policies and multi-level governance. More concretely, Belgium urges the Commission to :

- Ensure a deeper involvement of Regions and of regional stakeholders (notably cluster actors) in the implementation of the industrial policy flagship notably through adequate and transparent governance mechanisms mixing top-down and bottom-up approaches (smart specialization) ;
- Develop a strong EU clustering policy as a key component of the EU industrial policy, aiming notably at supporting world-class clusters and inter-clustering activities;
- Provide support for investments in innovation and transformation in the European priority areas by leveraging new financing mechanisms in regions and countries to support innovation and transformation projects for value chains and clusters ;
- Develop further the demand-side approaches and initiatives bridging the valley of death to manufacturing and markets and stimulating interconnections between industry and services notably through non technological innovation ;
- Ensure appropriate synergies between industrial policy and other EU policies, notably Cohesion policy and Competition policy.

Belgium is prepared to collaborate with the Commission and other Member States to stimulate the further development of European industrial policies in those directions.